

Temporary Assistance for Needy Families (TANF): Welfare Waivers

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Summary

The Department of Health and Human Services (HHS) announced a new initiative in July 2012, under which it would be willing to waive certain federal work participation standards under the Temporary Assistance for Needy Families (TANF) block grant to permit states to experiment with “alternative and innovative strategies, policies, and procedures that are designed to improve employment outcomes for needy families.” Some in Congress have opposed the Administration’s waiver initiative. The House has twice (once in the 113th Congress; once in the 112th Congress) passed measures to bar HHS from moving forward with granting waivers of the TANF work participation standards. Opponents of the waiver initiative question its legality and the process used in forwarding the initiative, and they claim that granting waivers of the participation standards would weaken the work requirements.

The major provision that HHS would waive is the numerical performance standards that states must meet or risk being penalized through a reduction in their TANF block grant. The TANF statute provides that 50% of all families and 90% of two-parent families included in a participation rate are required to be engaged in work, though few states have ever faced the full standard because this percentage is reduced for certain credits. To be considered engaged in work under the TANF standard, a family must either be working or in specified welfare-to-work activities for a minimum number of hours per week. Pre-employment activities such as job search, rehabilitative activities, and education count for a limited period of time or under limited circumstances. Though these counting rules apply to states, and not directly to individual recipients, they may influence the requirements that states place on recipients.

The new waivers would permit states to have welfare-to-work initiatives assessed using different measures than the TANF work participation rate. Thus, states could test alternative welfare-to-work approaches by engaging recipients in activities currently not countable without risk of losing block grant funds. States would have to apply for waivers, which must be approved by HHS and the Office of Management and Budget (OMB). States would also be required to monitor performance measures and evaluate the alternative welfare-to-work program. HHS also indicated it might waive some requirements that apply to states for verifying work activities. As of June 3, 2013, no state had requested a waiver.

The new initiative would allow the first new waivers to test welfare-to-work strategies in more than 15 years, although waivers were used extensively in the years immediately preceding the 1996 welfare reform legislation. The pre-welfare reform research found that “work-first,” education-focused, and certain “mixed strategy” programs all moved recipients from welfare to work. However, the education-focused programs did not outperform the “work-first” programs even over a five-year timeframe. This lent support to TANF’s focus on rapid job attachment and limits on counting education and training toward the participation standards. This research is now 15 to 20 years old, and certain newer workforce strategies (e.g., “career pathways”) have yet to be tested in a welfare-to-work setting. The waiver initiative would also allow states to evaluate their welfare-to-work programs by focusing on outcomes, such as the rate at which recipients leave welfare for work, rather than participation. This might focus state behavior on increasing such outcomes. However, it could also alter state behavior in ways not anticipated or desired by policymakers.

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Introduction

The Department of Health and Human Services (HHS) announced a new initiative in July 2012, under which it would be willing to waive certain federal work participation standards under the Temporary Assistance for Needy Families (TANF) block grant to permit states to experiment with “alternative and innovative strategies, policies, and procedures that are designed to improve employment outcomes for needy families.” HHS announced this policy through the release of an Information Memorandum on July 12, 2012.¹ The work participation standards are numerical performance standards that each state must meet or risk being penalized through a reduction in its block grant. These are standards that apply to the states, not directly to individuals, though they influence how states design their welfare-to-work programs and apply requirements to individual recipients. Such waivers will be the first “new” waivers to test welfare-to-work strategies in more than 15 years, since the enactment of the 1996 welfare reform law that created TANF.²

Some in Congress have opposed the Administration’s waiver initiative. The House has twice (once in the 113th Congress; once in the 112th Congress) passed measures to bar HHS from moving forward with granting waivers of the TANF work participation standards. In the 113th Congress, the House passed H.R. 890 on March 13, 2013. The bill would prevent the Administration’s waiver initiative from being implemented, while also barring any future waivers of the TANF work participation standards. Thus, TANF work standards could only be changed by Congress. Senator Hatch (the ranking Republican member of the Committee on Finance) has also introduced measures in both the 113th (S.J.Res. 9) and 112th Congress (S.J.Res. 50) to block the waiver initiative.

Opponents of the waiver initiative question both its legality and the process used in forwarding the initiative, and claim that granting waivers of the participation standards would weaken the work requirements.³ In some respects, the discussion about “waivers” is a continuation of a decades-old controversy about whether welfare-to-work efforts should emphasize quick attachment to work and working off welfare grants or whether they should focus on education and training.

This report is not a legal analysis of the Secretary’s authority to waive TANF work participation standards. Rather, it describes and provides context for this HHS initiative through discussing

- the current TANF work participation standards;
- the HHS initiative to waive TANF work participation standards;
- the history of welfare waivers; and
- factors that might be considered in assessing the initiative to waive the TANF work participation standards.

This is not a comprehensive review of TANF or even welfare-to-work issues. For an overview of TANF, see CRS Report R40946, *The Temporary Assistance for Needy Families Block Grant: An Introduction*, by Gene Falk. For a more comprehensive discussion of welfare-to-work issues, see

¹ U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, *Guidance Concerning Waiver and Expenditure Authority Under Section 1115*, Information Memorandum, TANF-ACF-IM-2012-03, July 12, 2012, <http://www.acf.hhs.gov/programs/ofa/policy/im-ofa/2012/im201203/im201203.html>.

² Officially, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, P.L. 104-193.

³ See U.S. Congress, House Ways and Means, *Preserving Work Requirements for Welfare Programs Act of 2013*, report to accompany H.R. 890, 113th Cong., 1st sess., March 11, 2013, H.Rept. 113-13.

CRS Report R42767, *Temporary Assistance for Needy Families (TANF): Welfare-to-Work Revisited*, by Shannon Bopp and Gene Falk.

TANF and Its Work Participation Standards

TANF is a broad-based block grant that provides funds to states, the territories, and Indian tribes to help them finance cash welfare programs for needy families with children as well as provide a wide range of other benefits and services to either ameliorate the effects of, or address the root causes of, child poverty. The basic federal block grant for the 50 states and the District of Columbia is funded at a total of \$16.5 billion per year. States are required, under a provision known as the maintenance of effort (MOE) requirement, to expend from their own funds a minimum total of \$10.4 billion per year in addition to federal funds on TANF or TANF-related programs.

The statutory purpose of TANF is increasing state flexibility to achieve goals to

1. provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
2. end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. encourage the formation and maintenance of two-parent families.

States may use TANF funds to finance any activity “reasonably calculated” to achieve these four TANF goals. This gives states broad leeway in spending TANF funds. In general, state MOE funds can be used for these same activities (there are some technical differences in the use of federal and state funds). Cash welfare accounted for less than 30% of all TANF and MOE funds in FY2011.

TANF provides states with a great deal of flexibility in designing their cash assistance programs. However, there are federal standards and requirements that apply to states with respect to providing cash assistance, including time limits and work participation standards.

The TANF Work Participation Standards

TANF sets minimum work participation standards that a state must meet. The standards are performance measures computed in the aggregate for each state, which require that a specified percentage of families be considered engaged in specified activities for a minimum number of hours. A state that fails to meet its work standard is at risk of being penalized through a reduction in its block grant.

The TANF statute provides that 50% of all families and 90% of two-parent families included in the participation rate are required to be engaged in work. However, few states have ever faced this standard because the percentage is reduced for caseload reduction or state spending in excess of what is required under the TANF MOE. Additionally, not all families receiving cash assistance

are included in the participation rate calculation, as some families do not have a “work-eligible” individual or are otherwise disregarded from the rate.⁴

Rules for Being “Engaged in Work”

Work-eligible individuals must participate in specific activities during a month for a state to count them as “engaged in work” and have the activities count toward the work participation standard. Work-eligible individuals must also participate in activities for a minimum number of hours per week in a month to be considered “engaged in work.” In general, single parents with a pre-school aged child (under the age of six) must participate for at least 20 hours per week in a month; other single parents must participate at least 30 hours per week in a month. Two-parent families must participate for more hours to be counted as engaged in work.

Most welfare-to-work activities are on the list of 12 activities that count toward the participation standards, including educational and rehabilitative activities. (For a listing of the twelve activities, and their definition, see **Table A-1**.) However, there are limits on the ability of states to count participation in pre-employment activities such as education, rehabilitative activities, and job search toward the work standards:

- For work-eligible individuals age 20 and older, participation in a GED program counts only if the recipient also participates in activities more closely related to work for at least 20 hours per week.⁵ Since single mothers with pre-school children—the largest group of adult cash assistance recipients—are required to participate only 20 hours per week, states do not receive credit for engaging them in GED programs.
- Vocational educational training may be counted only for 12 months in a recipient’s lifetime.
- The combination of job search and rehabilitative activities (e.g., rehabilitation from a disability, substance abuse treatment) is limited to a maximum of 12 weeks in a fiscal year.

Rules that Apply to Individual Recipients

The work participation standards described above apply to states, not individual recipients. Work requirements applicable to individuals, and the financial sanctions on families with individuals who fail to comply with them, are determined by the states. States may engage recipients in activities that do not count toward the federal participation standards, require fewer hours than the federal standard, and exempt categories of recipients from work or participation in activities altogether. If granted discretion under state rules, a caseworker might determine that a federally-countable activity is unsuited to a recipient given their circumstance. For example, a state might determine that, given economic conditions, extended job search beyond the maximum 12 weeks might better serve a work-ready individual than alternative, countable activities. A caseworker might also determine that an individual would be best served by obtaining a GED or be in a rehabilitative activity (e.g., substance abuse treatment) before entering the labor market.

States that allow participation in activities that cannot be counted (e.g., job search or education in excess of their time limits) do not receive credit for that participation. Depending on the

⁴ For details on the computation of the TANF work participation rate, see CRS Report R42767, *Temporary Assistance for Needy Families (TANF): Welfare-to-Work Revisited*, by Shannon Bopp and Gene Falk.

⁵ Teen parents (under the age of 20) may be deemed “engaged in work” through completing high school or obtaining a General Educational Development (GED) diploma.

circumstances in the state, lack of credit for certain types of participation or exemptions from requirements might put the state at risk of failing the work standard. Thus, though the work participation standard's counting rules do not apply directly to individual recipients they may influence how a state designs its welfare-to-work program.

Work Verification

Though the 1996 welfare reform law created the TANF work participation standards, it was silent on whether and how states would be required to verify hours of participation that are counted to that standard. A 2005 Government Accountability Office (GAO) report found that some states lacked methods and systems for accurately reporting actual hours of participation.⁶

The Deficit Reduction Act of 2005 (P.L. 109-171) required states to establish procedures to count and verify hours of reported work or engagement in activities. HHS regulations implementing this requirement required that participation in all activities be supervised, many on a daily basis. Additionally, states are required to file "work verification plans" with HHS outlining procedures to verify participation in activities. States that fail to comply with these work verification requirements are subject to a penalty of between 1% and 5% of the state's block grant.

The Caseload Reduction and "Excess MOE" Credits

As mentioned, few jurisdictions have faced the full TANF 50% or 90% work participation standards. This is because of a provision in TANF law known as the caseload reduction credit.

The caseload reduction credit reduces a state's 50% and 90% standards by one percentage point for each percent reduction in its caseload since FY2005.⁷ Additionally, under HHS regulations promulgated in 1999, states also may receive credits for spending in excess of what they are required to spend under the MOE requirement.⁸ The amount of credit varies by state and year, depending on caseload reduction and how much a state spends from its own funds. Most states have received some credit, and some states have received substantial credits. From FY2002 through FY2009 in all years but one (FY2007), caseload reduction and/or excess MOE permitted a majority of jurisdictions to face an effective (after-credit) work participation standard of less than 25%. (FY2009 is the latest work participation data available as of June 4, 2013.) That is, the majority of states could meet the TANF work participation standard with a participation rate of less than 25% in all but FY2007. See **Table A-2** for TANF effective work participation standards by state.

Trends in Work Participation Rates

Figure 1 shows the national average work participation rate based on the federal rules for FY2002 through FY2009. This participation rate is the percent of TANF families receiving assistance who have at least one member "engaged in work."⁹ The figure shows that the

⁶ U.S. Government Accountability Office, *Welfare Reform: HHS Should Exercise Oversight to Help Ensure TANF Work Participation is Measured Consistently Across States*, GAO-05-821, August 2005, <http://www.gao.gov/new.items/d05821.pdf>.

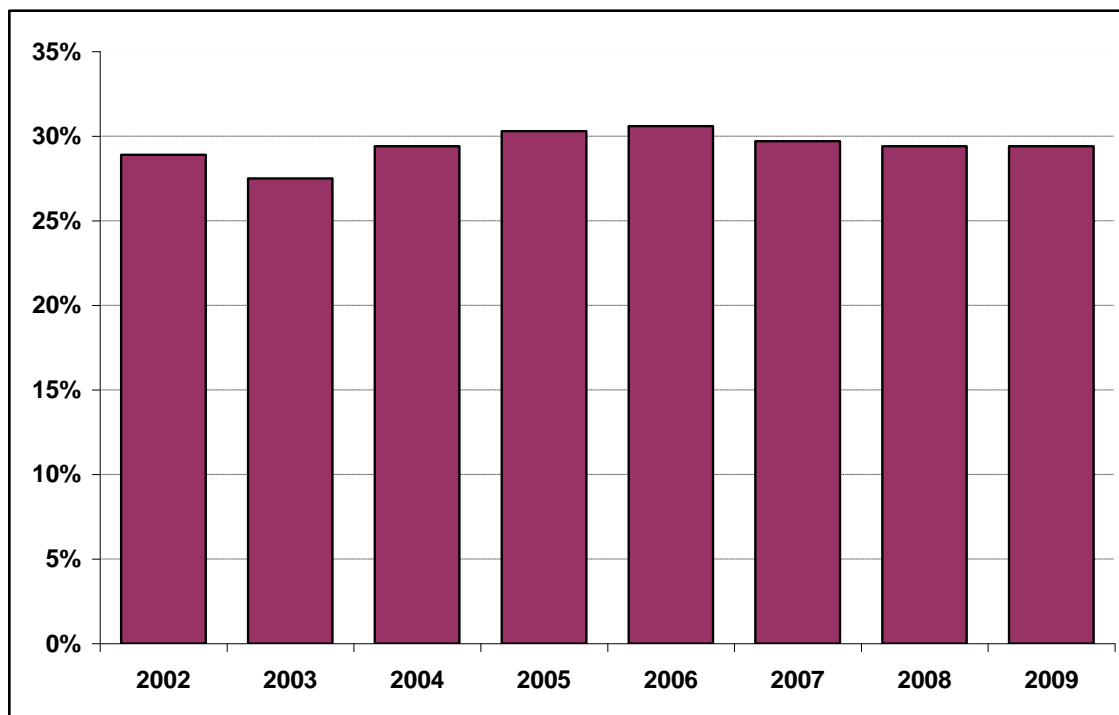
⁷ Before FY2007, caseload reduction was measured from FY1995. The Deficit Reduction Act of 2005 (P.L. 109-171) made the change in the credit, measuring caseload reduction from FY2005.

⁸ States may consider families assisted by excess MOE as "caseload reduction," and hence receive extra caseload reduction credits for such families. These regulations are at 45 C.F.R. §261.43.

⁹ The rate shown on the figure excludes the effect of "grandfathered" pre-1996 welfare law waivers. (See

participation rate has fluctuated around 30% since FY2002, remaining well below 50% for the entire period. However, most states met their participation standards with rates below 50% because of caseload reduction and excess MOE credits.¹⁰

Figure 1. National Average TANF Work Participation Rate: FY2002-FY2009
(based on federal rules for being “engaged in work”)



Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

Engagement by Activity

The most common work activity for TANF work-eligible individuals is unsubsidized employment: work in a regular job while remaining on the cash assistance rolls. This reflects work at a wage low enough to still qualify a family for assistance. Under TANF, most states changed their eligibility rules to permit more families with members who go to work to continue to receive assistance.¹¹ Such families, if they meet the minimum hours requirement, count toward the TANF participation standards. Additionally, some states have eligibility rules that permit families with a member who goes to work to continue to receive assistance for a limited period of time.

“Grandfathering of Pre-1996 Welfare Waivers Under TANF”).

¹⁰Under TANF’s work participation standards, two-parent families are subject to a higher standard: 90% of these families must be engaged in work, though the two-parent standard can also be reduced for caseload reduction. Many states have avoided facing the higher, two-parent standard by moving these families out of programs funded either by TANF or MOE expenditures.

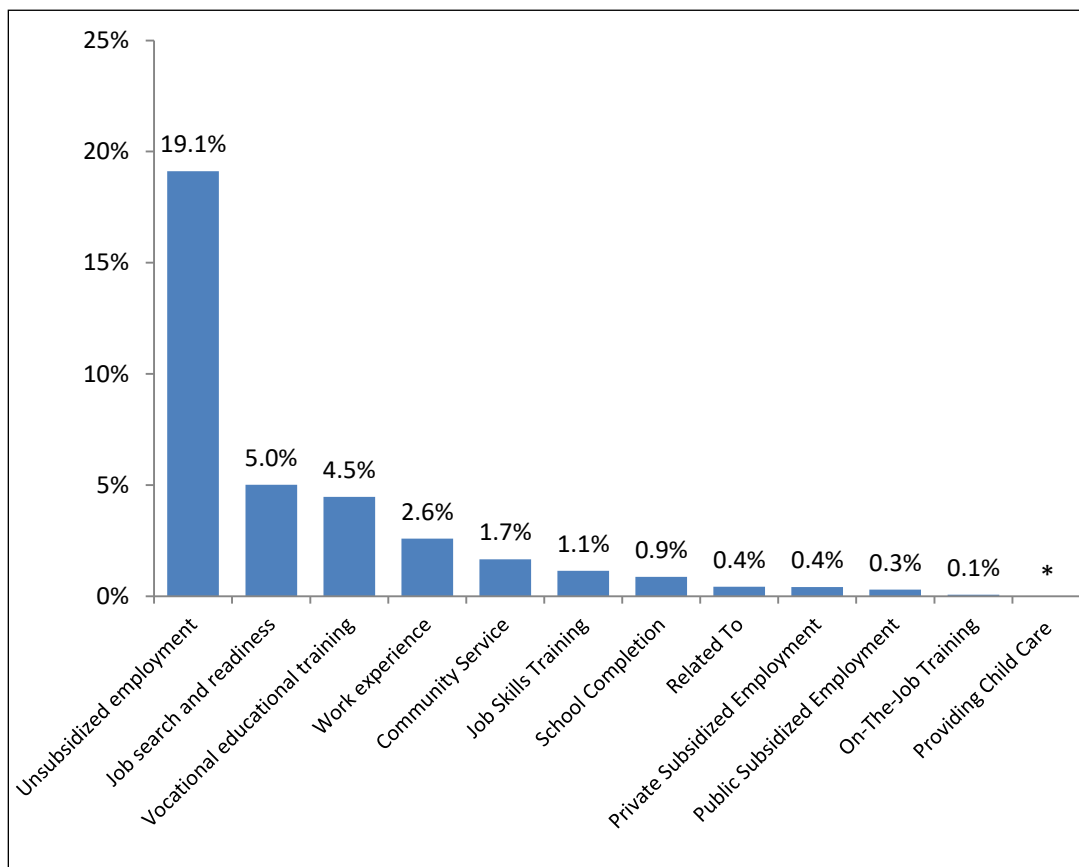
¹¹ See David Kassabian, Anne Whitesell, and Erika Huber, *Welfare Rules Databook: State TANF Policies as of July 2011*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation, OPRE Report 2012-57, August 2012.

For TANF recipients who are not employed, the most common activities are job search and readiness and vocational educational training. As discussed, participation in these pre-employment activities are time-limited.

Figure 2 shows the percentage of families included in the participation rate with a work-eligible individual who was engaged in work, by activity, for FY2009. As evidenced in the figure, unsubsidized employment—work in a regular job while receiving cash assistance—was by far the most common work activity in FY2009. In FY2009, 19.1% of families included in the participation rate had a member engaged in work and employed in an unsubsidized job. The time-limited pre-employment activities of job search and readiness and vocational educational training were the next most common activities. In FY2009, 5.0% of families included in the participation rate had a member engaged in work and participating in job search and readiness. That year, 4.5% of families had a member engaged in work and participating in vocational educational training.

In terms of activities that are counted without limit (aside from unsubsidized employment), the most common activity was unpaid work experience. In FY2009, 2.6% of families included in the TANF participation rate had a member engaged in work and participating in work experience.

Figure 2. Percent of TANF Families Included in the Participation Rate Calculation With a Member Engaged in Work, By Activity: FY2009



Source: Congressional Research Service (CRS) tabulations of the FY2009 TANF National Data files.

Notes: * Denotes less than 0.05%. Sum may add to more than the national participation rate since individuals may participate in more than one activity.

Assessing Penalties for Failure to Meet Work Standards

The TANF statute gives the Secretary of HHS flexibility in assessing the financial penalty (reduction in the block grant) for failure to meet work participation standards. The Secretary may reduce the penalty based on the degree of noncompliance, waive the penalty if a state demonstrates “good cause,” and enter into corrective compliance plans with states and subsequently forgive them if they come into compliance with the work standards.

To date, most penalties imposed on states for failure to meet the TANF work standards have been for failure to meet the higher two-parent standard. These penalties have generally been small, as they are pro-rated for the share of the caseload that represents two-parent families. However, after the changes in work standards made by the Deficit Reduction Act of 2005, a handful of states failed the all-family work standard for each year FY2007-FY2009. Most of the states that failed the standards entered into corrective compliance plans, with the outcomes of those plans yet to be determined.¹²

The Obama Administration’s Waiver Initiative

The Obama Administration announced an initiative on July 12, 2012, under which it would be willing to grant certain waivers of the federal TANF work participation standards. It says these waivers would be granted under Section 1115 of the Social Security Act.¹³ HHS said in its announcement that this initiative is a response to President Obama’s February 28, 2011, Presidential memorandum that asked agencies to work with state, local, and tribal grantees of federal funds to identify barriers “that currently prevent states, localities, and tribes from efficiently using tax dollars to achieve the best results for their constituents.”¹⁴

The waiver programs would allow states that undertake alternative welfare-to-work strategies to substitute other performance measures (e.g., outcome measures) for the TANF statutory work participation standards. Waiver programs would also have to be formally evaluated. Waivers could be granted for state-wide initiatives, or demonstrations and pilots conducted in a portion of the state. These initiatives could also be either for a state’s entire caseload, or a specific population within its caseload (e.g., individuals with disabilities). HHS envisions the typical waiver as having a five-year duration.

The HHS announcement also says states may receive waivers of the existing procedures to verify participation put into place through the Deficit Reduction Act of 2005.

¹² Information on TANF work participation penalties can be found at U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, *Temporary Assistance for Needy Families Program (TANF). Ninth Report to Congress*, June 2012, pp. III-41-42.

¹³ Section 1115 of the Social Security Act permits the Secretary of HHS to waive TANF state plan requirements specified in Section 402 of the Social Security Act to conduct an “experimental, pilot, or demonstration project which, in the judgment of the Secretary, is likely to assist in promoting the objectives” of the federal law. The TANF state plan is a document states must submit as a condition of receiving its block grant. The Secretary must find that a state plan is complete in order for block grant funds to be awarded to a state. Part of the state plan is an outline of the family assistance program the state intends to operate, which includes a requirement that it ensure “that parents and caretakers receiving assistance under the program engage in work activities” in accordance with the TANF work participation standards in Section 407 of the Social Security Act.

¹⁴ This memorandum can be found at <http://www.whitehouse.gov/the-press-office/2011/02/28/presidential-memorandum-administrative-flexibility>.

Goals of the Waiver

HHS says a goal of its waiver initiative is to allow states to operate experimental, pilot, or demonstration projects to test “alternative and innovative strategies, policies, and procedures that are designed to improve employment outcomes for needy families.” The department says it is “encouraging states to consider new, more effective ways to meet the goals of TANF, particularly helping parents successfully prepare for, find, and retain employment.” In its announcement, HHS noted that waivers of TANF work participation standards could address the following goals:

- testing multiyear career pathways models that combine work and learning;
- strengthening strategies for individuals with disabilities; testing the effectiveness of subsidized employment programs; and
- testing the effectiveness of extending the period of time allowed for participation in pre-employment activities such as vocational educational training and job search and readiness.

The department says that another goal of the waiver initiative is to develop a new body of research evidence that could improve state programs’ abilities to achieve TANF’s goals.

Application and Approval Process

In order for TANF work standards to be waived, states would have to apply for a waiver and have that waiver approved by HHS and OMB. HHS has specified some elements that will be required of waiver requests: they must include a set of performance measures; an evaluation plan; the proposed duration of the waiver; and a budget that includes the cost of evaluation.

As of June 3, 2013, no state had requested a waiver.

Ongoing Performance Monitoring and Evaluation

HHS has said that states will be required to track ongoing performance and outcomes during the period of the demonstration projects. States applying for waivers must set interim performance targets. States that fail to meet interim targets would be required to develop improvement plans. HHS asserts that repeated failure to meet performance targets will lead to an end of the waiver demonstration. In a correspondence to Members of Congress, HHS Secretary Kathleen Sebelius stated that states would be required to increase the number of people moving from welfare-to-work by at least 20%.¹⁵

HHS says that its “preferred” approach to evaluating programs is a random assignment experiment.¹⁶ However, HHS notes it will consider alternative methods for evaluating the waiver demonstration program.

¹⁵ Letter from Kathleen Sebelius, Secretary of HHS, to Representative Dave Camp, Chairman, House Committee on Ways and Means, (July 18, 2012) available at <http://www.washingtonpost.com/blogs/ezra-klein/files/2012/07/Chairman-Camp-TANF-7-18-.pdf>. A similar letter was sent to Senator Orrin G. Hatch, ranking Member of the Senate Finance Committee, available at <http://www.washingtonpost.com/blogs/ezra-klein/files/2012/07/Sen-Hatch-TANF-7-18-.pdf>.

¹⁶ These types of studies assign potential participants to two or more groups: one, a control group that is subject to existing policies (e.g., no change in the program); the others would be an experimental group or groups that are subject to new policies. The difference in outcomes between the experimental group(s) and the control group measures the impact of the policy change.

What Would Not be Waived

HHS has said that it will not waive requirements that would reduce access to assistance or employment. Moreover, a number of TANF provisions are outside the scope of the requirements to be waived (e.g., TANF time limits and child support enforcement requirements).

Brief History of Welfare Waivers

The legal authority to waive requirements in public assistance programs dates back to 1962, and the Public Welfare Amendments of 1962 (P.L. 87-543). That law established Section 1115 of the Social Security Act, and allowed the waiver of the requirements of federal-state public assistance programs, including the Aid to Families with Dependent Children (AFDC) program that preceded TANF in helping fund cash assistance for needy families with children.

In establishing waiver authority for public assistance programs, the House Ways and Means Committee report said:

The public assistance titles of the Social Security Act contain a number of requirements on states for approval of a State plan. These are necessary and desirable in the administration of a broad program to reach the numbers of people such programs must serve. These plan requirements, however, often stand in the way of experimental projects designed to test new ideas and ways of dealing with the problems of public assistance recipients.¹⁷

Though waivers under Section 1115 were allowed as early as 1962, they were not sought with much frequency until the late 1980s. Until that point, waivers were primarily related to program administration and service delivery.¹⁸ However, the late 1980s and the early 1990s were a period of large-scale experimentation in welfare-to-work strategies—much of which occurred at state initiative under “waivers” of pre-1996 federal requirements.

Waivers of the Late 1980s and Early 2000s

Waivers ranged in scope from small demonstrations that were carried out in a select number of counties to—increasingly over time—greater statewide changes in the state’s AFDC program. Until the enactment of the 1996 welfare law, the Clinton Administration continued to approve waivers of AFDC law. Between January 1993 and August 1996, a total of 83 waiver applications from 43 states and the District of Columbia were approved. State waiver programs tested program features such as¹⁹

- Enhancing the financial incentives for single mothers to work. This was done by disregarding a greater share of earnings when determining welfare eligibility and benefits than allowed under federal law. Additionally, some waivers permitted families to have more savings and retain eligibility for assistance than what was allowed under federal law.
- Expanding work requirements to more mothers receiving assistance than required by federal law, particularly to mothers with very young children.

¹⁷ U.S. Congress, House Committee on Ways and Means, *Public Welfare Amendments of 1962*, report to accompany H.R. 10606, 87th Cong., 2nd sess., March 10, 1962, H.Rept 87-1414, p. 24.

¹⁸ See Shelly Arsneault, *Welfare Policy Innovation and Diffusion: Section 1115 Waivers and the Federal System*, State and Local Government Review, Vol. 32, No. 1 (Winter 2000), pp. 49-60. (Hereinafter cited as Shelly Arsneault, 2000).

¹⁹ See U.S. Department of Health and Human Services, Office of the Assistance Secretary for Planning and Evaluation, *Setting the Baseline: A Report on State Welfare Waivers*, June 1997, <http://aspe.hhs.gov/hsp/isp/waiver2/title.htm>.

- Increasing sanctions for failure to comply with work requirements beyond what was required and allowed by federal law.
- Establishing time limits on aid to families receiving assistance.
- Tightening child support enforcement requirements.
- Allowing longer transitional medical coverage under Medicaid and child care than was permitted at the time under federal law.

In many cases, a state's AFDC waiver program became the basis for its TANF program following the enactment of federal welfare reform in 1996. The 1996 welfare reform law permitted states to "grandfather in" their waiver rules with respect to TANF work requirements (see "Grandfathering of Pre-1996 Welfare Waivers Under TANF") and time limits.

However, in addition to providing states flexibility to implement new program models, the waivers of AFDC requirements, together with a national evaluation known as the National Evaluation of Welfare to Work Strategies (NEWWS), produced a body of research and program evaluations that greatly enhanced policymakers' understanding of the effects of welfare-to-work programs. (NEWWS is discussed in "The National Evaluation of Welfare-to-Work Strategies (NEWWS)".)

In order to receive and implement a waiver, a state was required to conduct a structured evaluation of its proposed program, which featured an "impact analysis" that assessed the success of the program in meeting its goals. "Impacts" included employment and earnings as well as indicators of child well-being, like school attendance and health. Evaluations often combined both qualitative and quantitative methods, utilizing sources such as surveys, program data, and in-depth interviews.²⁰ The waiver process sometimes also required approval by the state legislature of proposed program changes, usually before the proposal was submitted to HHS.²¹

The findings of the waiver programs, NEWWS, and related research produced evidence that mandatory welfare-to-work programs could increase employment and reduce welfare receipt. Mandatory programs are those programs backed by financial sanctions for failure to comply. The research also found that programs that combined financial incentives with mandatory work requirements also had the effect of increasing employment, though they did not always reduce welfare receipt. However, such programs often raised the income of recipient families, and some research showed that such programs could also improve the well-being of the children of such recipient families. These reflect the effects of many of the key changes to low-income assistance programs that culminated in the mid-1990s: requiring work and providing earnings supplements and work supports to "make work pay."

The National Evaluation of Welfare-to-Work Strategies (NEWWS)

The Family Support Act of 1988 (P.L. 100-485) mandated a national evaluation of different welfare-to-work strategies. That national evaluation is known as the National Evaluation of Welfare-to-Work Strategies (NEWWS). NEWWS compared mandatory "work-first" programs that emphasized job search as a primary activity with "education-focused" programs that emphasized either adult basic education or post-secondary education.

²⁰ See Carol Harvey, Michael J. Camasso, and Radha Jagannathan, *Evaluating Welfare Reform Waivers Under Section 1115*, *Journal of Economic Perspectives*, Volume 14, Number 4, Fall 2000, pp. 165-188.

²¹ See Shelly Arseneault, 2000.

The evaluation's main findings were the following:²²

- Both the labor force attachment and the education-focused programs produced positive impacts. Both types of programs raised employment and reduced welfare receipt.
- When impacts are compared over a relatively long period (five years), the labor force attachment programs produced some larger impacts than the education-focused programs. This was particularly true for those without a high school diploma, as the labor force attachment programs increased employment rates more than the education-focused program in this subgroup over five years.
- The program with the largest impacts in the NEWWS evaluation was the one operated in Portland, OR. That program was referred to as a "mixed" program model. It emphasized employment as a goal, but also permitted caseworkers the discretion to assign participants to education if warranted. Further, Portland's program emphasized finding a "good job," not just any job, and permitted extended job search.

Though some preliminary findings were available from NEWWS before the enactment of the 1996 welfare law, its final report was not issued until 2001. The research findings from the NEWWS evaluation have been used to support the "work-first" approach taken in the TANF participation standards and many TANF programs.

Grandfathering of Pre-1996 Welfare Waivers Under TANF

The 1996 welfare reform law allowed states to delay implementation of certain TANF provisions to the extent that they were inconsistent with requirements of the state's approved waiver demonstration project (if the state chose to continue its waiver). States that continued their work-related waivers were permitted to have their programs assessed based on the rules of their waivers, rather than those of the federal work participation standard.²³ In general, states that operated under waivers still had to achieve the numerical participation standards required under the new law.²⁴ However, they were able to count certain participation that otherwise would not meet the federal definition of "engaged in work."²⁵ This included activities not countable toward the participation standard, such as extended job search and education. It also included families participating for fewer hours than required under that federal definition. Further, states were also permitted to exclude from the participation rate calculation families that were exempted from the welfare-to-work program under their waiver.²⁶

²² Gayle Hamilton, Stephen Feedman, and Lisa Gennetain, et al., *National Evaluation of Welfare-to-Work Strategies. How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs*, U.S. Department of Health and Human Services and the U.S. Department of Education, December 2001.

²³ As described in the preamble to the TANF Final Rule, a "work-related waiver" included both the explicitly granted technical waiver and the cluster of related work policies that were in effect under prior law and continued as part of the state's demonstration. These could include provisions regarding allowable activities, hours, or exemptions. See U.S. Department of Health and Human Services, Administration for Children and Families, "Temporary Assistance for Needy Families Program (TANF); Final Rule," 64 *Federal Register* 17731-17739, April 12, 1999.

²⁴ Vermont claimed that its waiver exempted all families from the participation rate calculation. HHS did not publish a participation rate for Vermont for FY2000 or FY2001.

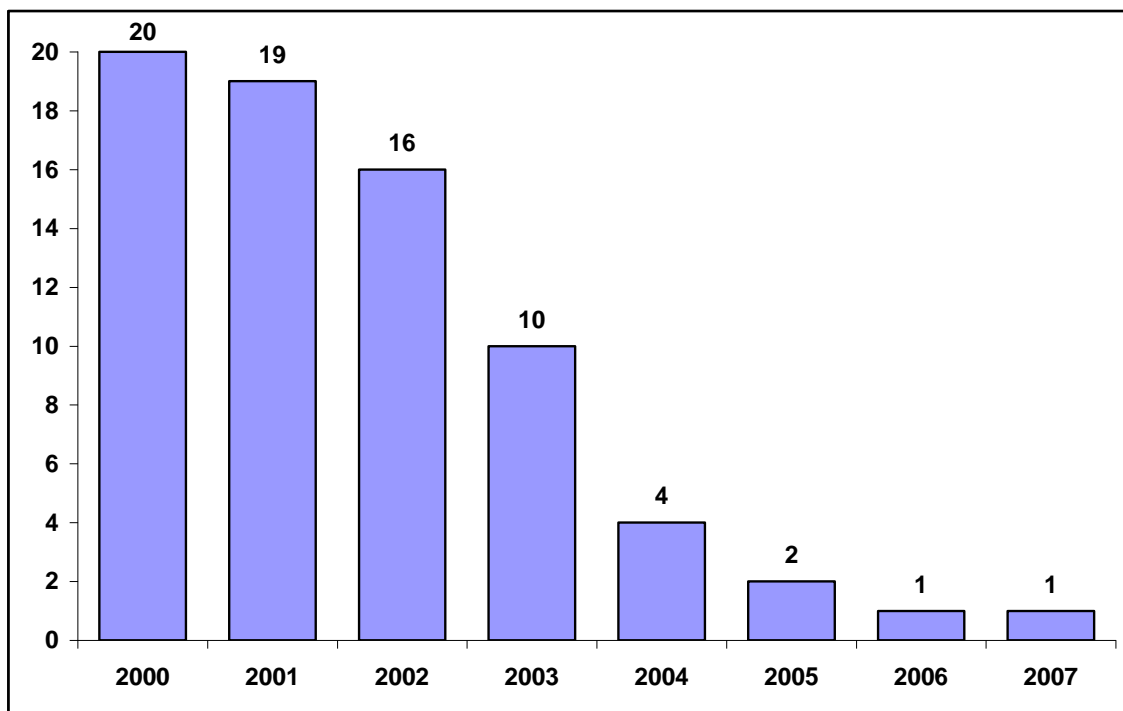
²⁵ See 6th Annual Report to Congress, November 2004. Accessible at <http://www.acf.hhs.gov/programs/ofa/data-reports/annualreport6/ar6index.htm>.

²⁶ See *Federal Register*, April 12, 1999 (Volume 64, Number 69), p. 17734.

TANF regulations required states to certify by October 1, 1999, whether or not they intended to continue their waiver policies until the scheduled expiration of the waiver. A total of 20 states continued their waiver policies with respect to work requirements.²⁷ **Figure 3** shows the number of states operating under these “grandfathered” waivers in FY2000 through FY2007. The number gradually declined from FY2000 through FY2007 as these waivers expired. **Table A-5** describes the specific waiver inconsistencies claimed by each state under the grandfathered waiver.

Figure 3. Number of States Operating TANF Under “Grandfathered” Pre-1996 Welfare Reform Waivers: FY2000-FY2007

(includes states operating waivers for part of the fiscal year)



Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

As described above, states with waivers had their welfare-to-work programs assessed using the rules of the waiver rather than the rules of the federal work participation standard. For FY2000 through FY2006, HHS calculated two sets of work participation rates: the official rate (using the waiver rules for those states with grandfathered waivers) and a rate based on the federal rules for the work standard (shown on **Figure 1**). In FY2001 and FY2002, waivers added 4.5 percentage points to the national average participation rate. In other words, a greater proportion of TANF families were counted as engaged in work under the waivers than under the statutory TANF work participation standards. This declined in subsequent years, as the number of states operating their programs under these waivers declined.²⁸

²⁷ For a full list of states claiming work requirement waiver inconsistencies, see pp. 201-203 of the 3rd Annual Report to Congress, available at <http://www.acf.hhs.gov/programs/ofa/data-reports/annual3/annual3.pdf>. For a full list of states claiming time limit waiver inconsistencies, see pp. 233-234 of the same report.

²⁸ See **Table A-6** for national average participation rates with and without grandfathered waivers.

In its 2002 TANF reauthorization proposal, the Administration of George W. Bush proposed to immediately end the “grandfathered waivers.” According to the Administration’s proposal:

Flexibility under current law allows states to accomplish all the purposes of TANF without waivers. Furthermore, the requirements of TANF no longer represent an experiment. Abolishing the remaining waivers will put all states on an equal footing.²⁹

The Administration’s proposal was not adopted. The last grandfathered waiver (Tennessee’s) expired in 2007.

The “Superwaiver” Proposal

Though the Bush Administration’s 2002 TANF reauthorization proposal sought to end the “grandfathered waivers,” it concurrently proposed new waiver authority that would have applied to TANF. The “superwaiver” proposal would have allowed states to seek “new waivers for integrating funding and program rules across a broad range of public assistance and workforce development programs” (for example, programs operated under the Workforce Investment Act, WIA).³⁰ States that received waivers would have been required to develop integrated performance objectives and outcomes, which could have altered reporting and performance requirements in affected programs. An evaluation of the demonstration would have been required.

The superwaiver proposal passed the House three times: in 2002, 2003, and 2005.³¹ The legislation would have had the effect of allowing TANF work participation standards to be waived. A scaled back version of the superwaiver was also included in bills reported by the Senate Finance Committee in 2003 and 2005.³²

Goals and Considerations

The Obama Administration’s initiative to allow waivers of the TANF work participation standards raises a number of legal, procedural, and substantive issues. The legal and procedural issues will not be discussed in this report. In terms of substantive issues, questions can be raised about the likelihood of the waiver initiative in achieving its goals, what other policy goals might be compromised in pursuing the initiative, and whether there are alternatives to achieve similar goals. This section addresses these questions. First, it discusses some of the goals set forth by the Administration in its announcement of the waiver initiative, focusing on three goals: testing alternative strategies, measuring employment outcomes, and program integration. It then discusses what goals others (states, policymakers) might also wish to achieve in altering TANF’s welfare-to-work rules.

²⁹ See *Working Toward Independence: Maximize Self Sufficiency Through Work and Additional Constructive Activities*, February 2002, <http://georgewbush-whitehouse.archives.gov/news/releases/2002/02/welfare-book-04.html>.

³⁰ For a discussion of the superwaiver, CRS Report RS21219, “*Superwaiver*” *Proposals in the Welfare Reform Debate*, by Karen Spar.

³¹ The bills that passed the House are H.R. 4737 (107th Congress), passed the House on May 16, 2002; H.R. 4 (108th Congress), passed the House on February 13, 2003; and S. 1932 (109th Congress), passed the House on November 18, 2005.

³² The bills approved by the Senate Finance Committee are H.R. 4 (108th Congress), as amended, reported on October 3, 2003; and S. 667 (109th Congress), ordered reported on March 9, 2005.

Testing Alternative Welfare-to-Work Strategies

TANF was enacted during a period of experimentation of welfare-to-work strategies. The waivers of pre-1996 welfare law together with NEWWS provided tests of a wide range of strategies—as well as the testing of certain strategies in different states and different settings.

TANF provides states with the *flexibility* to design their own welfare-to-work programs. However, with the enactment of TANF came the end of the era of large-scale *experimentation* in welfare-to-work strategies. While states have the flexibility to incorporate new and innovative strategies in their programs, they are under no requirements to formally assess the effectiveness of these strategies.

The over-arching purpose of the Obama Administration’s waiver initiative is to encourage states to consider “new, more effective ways” to help parents prepare for, find, and retain employment. As discussed, TANF’s current work participation standards generally reflect a “work-first” philosophy, emphasizing rapid attachment to a job and limiting the time in pre-employment activities that can be counted toward the standards.

The NEWWS research and the evaluations of pre-1996 waivers examined programs that were in place now 15-20 years ago. Since then there have been a number of innovations in policies in the realm of education and training. These policies have not been tested within the context of welfare-to-work programs. Examples of such policies include the following:

- Career Pathway models, which combine education and work in a series of “steps,” to provide advancement in jobs often within a specific economic sector (e.g., the health sector).³³
- Programs that integrate basic adult education with college-level career and technical skills. NEWWS found some evidence of positive employment impacts for those who participate in adult basic education, obtain a GED, and then go on to post-secondary education. New program models have been developed that integrate adult basic and post-secondary education. An example of such a model is the I-Best program, operating in Washington state.³⁴
- “Drop-out recovery” programs, which seek to re-engage those who left high school without a diploma in regular high school courses though in a separate setting devoted to meeting their needs. Some of these programs engage young adults (ages 20 and older).³⁵
- Programs in community colleges that target low-income students (some of whom are parents) and provide financial incentives to students to complete semesters and persist in pursuing their educational goals. Other community college

³³ U.S. Department of Health and Human Services, Office of Planning, Research, and Evaluation, Administration for Children and Families, *Career Pathways as a Framework for Program Design and Evaluation. A Working Paper from the Innovative Strategies for Increasing Self-Sufficiency (ISIS) Project*, OPRE Report 2012-30, May 2012.

³⁴ David Jenkins, Matthew Zeidenberg, and Gregory Kienzl, *Educational Outcomes of I-Best. Washington State Community and Technical College System’s Integrated Basic Education and Skills Training Program: Findings from a Multivariate Analysis*, Community College Research Center, Teachers College, Columbia University, May 2009. Note that the I-Best model was also categorized as a career pathways program in the report cited above.

³⁵ Nancy Martin and Samuel Halperin, *Whatever It Takes, How Twelve Communities Are Reconnecting Out-of-School Youth*, American Youth Policy Forum, 2006.

programs include “learning communities,” where groups of disadvantaged students are grouped together in classes and support sessions.³⁶

The TANF work participation standards do not preclude placing recipients of cash assistance in these types of programs. In some circumstances, participation in such programs might be countable toward the TANF participation standards. Given the flexibility of TANF, a question can be raised about whether a waiver is needed for states to use any of these strategies. However, states may be deterred from using such strategies for cash assistance recipients if participation in them might exceed the durational limit (i.e., vocational educational training’s one-year limit) or runs into other restrictions (i.e., high school, adult basic education or ESL programs not being able to be counted).

Education and training programs might not be the only activities that could be tested under a waiver. For example, states might consider testing different job search strategies. Since the enactment of TANF, the nature of job search has changed. The rise of social networks, social media, and Internet searches made print newspaper “help wanted” listing outmoded. In the labor market generally, there has been increased use of employment and temporary help agencies.³⁷ Additionally, the Deficit Reduction Act of 2005 required states to supervise all TANF job searches, and states have now had several years of experience with their current methods of verifying and supervising job search. Enforcing job search requirements has historically been difficult. Under a waiver, states might opt for alternative methods of enforcing job search requirements. States might also consider experimenting with other activities such as subsidized employment, on-the-job training, work experience, and community service as part of a waiver.

The waiver is only one potential option to encourage states to consider new welfare-to-work strategies. Congress could also re-open the debate on TANF work participation standards.³⁸ The degree and type of flexibility of welfare-to-work programs was one of the key issues during the 2002-2005 TANF reauthorization debates. The statutory standards could be modified to allow states the flexibility to incorporate new strategies. However, it, like current TANF law, would lack the need to formally assess the effectiveness of any new strategy. Additionally, changing the current work standards would occur without a large body of up-to-date research to inform policymakers on the likely effects of the policy changes.

Focusing on Employment Outcomes

The Administration’s announcement said it would consider projects that “demonstrate superior employment outcomes if a state is held accountable for negotiated employment outcomes in lieu of participation rate requirements.” Thus, it would test whether changes in the performance measure itself can effect changes in states’ behavior.

³⁶ For example, see Reshma Patel and Lashawn Richburg-Hayes, *Performance-Based Scholarships: Emerging Findings from a National Demonstration*, MDRC, MDRC Policy Brief, May 2012. See also Colleen Sommo, Alexander K. Mayer, and Timothy Rudd, et al., *Commencement Day: Six-Year Effects of a Freshman Learning Community at Kingsborough Community College*, MDRC, July 2012.

³⁷ See Jacob Klerman, Robin Koralek, and Ashley Miller, et al., *Job Search Assistance Programs—A Review of the Literature*, U.S. Department of Health and Human Services, Office of Planning, Research, and Evaluation, December 2012, pp. 52-55.

³⁸ For such a discussion, see Russell Sykes, *The Welfare Waivers: How They Really Do Water Down Work Requirements*, Manhattan Institute, October 2012.

As discussed, TANF imposes its work requirements indirectly, primarily through the numerical work participation performance standard imposed on states.³⁹ It does this indirectly in part because of the program's place in the federal-state system. TANF is a broad-based block grant to the states, with federal goals but a great deal of flexibility in meeting those goals. The TANF work participation numerical standards—and the potential financial penalties for not meeting them—are to ensure that the states use their flexibility in ways consistent with the federal goals.

“Technical” Considerations

Performance measures, including the current TANF work participation standard, can have intended and unintended consequences. Performance measures in general have been criticized as creating incentives so that those assessed can behave such that they are “hitting the target but missing the point.”⁴⁰ For example, there has been concern that the TANF work standard's “excess MOE” component of the caseload reduction credit has led states to attempt to “find” expenditures in state budgets that can be counted as MOE and reduce the effective TANF work participation standard.⁴¹ Alternative outcome measures can also have unintended consequences.

President Obama's waiver initiative essentially would permit states to negotiate an alternative to the work participation rate as the way to measure the performance of their welfare-to-work program. This includes measures of “outcomes,” such as leaving the welfare rolls for work, the earnings of those who go to work, and the degree of job attachment for those who find jobs. Presumably, states would focus on achieving a better score on the outcome being measured: increasing the number of recipients who move from welfare to work.

If performance is tracked using an outcome measure (e.g., rate of entry into employment of TANF recipients), states would no longer risk failing a standard solely by having recipients engaged in activities that do not count toward a participation rate. However, if that participation is ineffective in helping the state achieve a good score on the new outcome measure, the state would risk failing the new performance standards.

A change in performance measures can also lead to unanticipated and unwanted behaviors.⁴² The most commonly cited unintended behavior resulting from assessing based on outcomes is called “cream skimming,” improving performance outcomes through serving only those most likely to succeed and leaving behind the hardest-to-serve.⁴³

³⁹ The TANF work participation standard is often called a “process” measure, one that measures program activity but is not in itself the desired outcome. That is, engagement in activities is to lead to an “outcome,” which is placement in a job. However, because the TANF work participation rate counts those who do have jobs while remaining on the rolls, it is not in itself a pure process measure. See U.S. Department of Health and Human Services, Administration for Children and Families and the Assistant Secretary for Planning and Evaluation, *Report on Alternative Outcome Measures*, December 2000, <http://aspe.hhs.gov/HSP/alt-outcomes00/index.htm>.

⁴⁰ Gwyn Bevan and Christopher Hood, “What's Measured is What Matters: Targets and Gaming in the English Public Health Care System,” *Public Administration*, vol. 84, no. 3 (August 2006), pp. 517-538, quoted in Heckman, et al., cited above.

⁴¹ For example, in the 112th Congress, the House Ways and Means Subcommittee on Human Resources held a hearing on this topic. See <http://waysandmeans.house.gov/calendar/eventsingle.aspx?EventID=294971>.

⁴² For an overview of issues related to performance measurement in public programs, particularly public workforce programs, see *The Performance of Performance Standards*, ed. James J. Heckman, Carolyn J. Heinrich, Pascal Courty et al. (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2011).

⁴³ It might also be possible to “cream skim” to meet a work participation requirement. In a Government Accountability Office review, they found state officials who said that a focus on meeting work participation requirements caused them to focus on their “work-ready” recipients, not the harder-to-serve. See U.S. Government Accountability Office, *Temporary Assistance for Needy Families: More Accountability Needed to Reflect Breadth of Block Grant Services*,

Philosophical Considerations

The choice of what measure is used to assess welfare-to-work efforts is not merely a technical exercise. The current TANF performance measure—the work participation rate—is a measure of engagement in work or activities in exchange for receipt of assistance. During the period leading up to the 1996 law, there was increasing concern that providing cash assistance to needy families, usually headed by a single mother, was creating welfare dependency—enabling behaviors that prevented functioning within the norms of society and thus perpetuated long-term receipt of assistance.⁴⁴ Welfare work requirements were seen as a means to obligate recipients to do something in return for their assistance.⁴⁵ This obligation requires recipients to engage in activities so that they would be required to function in ways similar to that of others either in the workforce or in education and training, with the goal that they would move off the welfare rolls and into work. A measure of engagement, like the work participation rate, reinforces the notion that recipients are obligated to work or be in job preparation activities if they are to receive assistance. An outcome measure does not necessarily convey the same message.⁴⁶

Outcomes Versus Program Impacts

Outcome measures are *not* direct measures of the effectiveness of a welfare-to-work program. Some families would leave the cash assistance rolls even without the intervention of a program. Additionally, external factors (e.g., the health of the economy) can affect measured outcomes. For example, job entry rates can be expected to rise during an economic recovery and fall during a recession.

The effectiveness of a welfare-to-work program can also be measured by whether the program made a difference. This is a measure of the *impact* of the program: comparing outcomes that can be attributed to the program with those measured in the absence of the program. For example, not just measuring job entries, but the increase in job entries attributed to the program.

Neither a measure of engagement such as the TANF work participation rate nor an outcome measure can alone fully assess the effectiveness of state welfare-to-work efforts. The work participation rate measures only one dimension of what welfare-to-work programs typically attempt to achieve. Different measures offer different perspectives, and often complement each other.

Program Integration

One of the ongoing criticisms of federally-assisted workforce programs has been that there are multiple, fragmented programs that overlap and raise questions about efficient and effective uses

13-33, December 6, 2012. One strategy states might use to “cream skim” on the work participation rate is to speed up full family sanctions (ending benefits and closing the assistance case) for families who do not comply with work requirements. See for example: Jacqueline Kauff, Michelle K. Derr, and LaDonna Pavetti, et al., *Using Work-Oriented Sanctions to Increase TANF Work Participation*, Mathematica Policy Research Inc., September 2007.

⁴⁴ For discussion, see Lawrence M. Mead, *Beyond Entitlement: the Social Obligations of Citizenship* (New York: The Free Press, 1986).

⁴⁵ The notion that work requirements obligate recipients of assistance was raised in Mead, cited above.

⁴⁶ Some of the experimental research of the pre-welfare reform era indicated that the expectations set and message received by recipients was important in affecting the outcomes of welfare-to-work programs. For example, see James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program*, MDRC, New York, September 1994, pp. liii-liv.

of resources as well as frustrate people seeking assistance and employers.⁴⁷ The Administration's waiver announcement said that states may want to consider projects that improve coordination with other components of the workforce system, particularly the Workforce Investment Act (WIA).

Some states use the WIA system to deliver workforce services to TANF cash assistance recipients, others do not. There has historically been congressional interest to promote further coordination between TANF and WIA. The "Super Waiver" provision considered by Congress during the 2002-2005 TANF reauthorization debate was offered in part to address this issue. Coordination between TANF and WIA has also been discussed in the context of WIA legislation.⁴⁸

One potential obstacle to integrating TANF and WIA programs is the different assessments that would be required of TANF recipients (the participation rate) compared with the performance measures used in WIA. The WIA's performance measures for its disadvantaged adult programs include three employment outcome measures: the entered employment rate, employment retention rate, and average earnings.⁴⁹ Allowing states to assess TANF welfare-to-work efforts on the same basis as how WIA services are assessed could ease one of the barriers to creating a more integrated workforce system.

However, there are differences between TANF and WIA. TANF's work standards are in the context of requiring work of recipients of cash assistance. These requirements are mandatory for recipients. WIA, on the other hand, generally provides services on a voluntary basis. Thus, though there are arguments for program integration, the different nature of TANF's work requirements and WIA's workforce services also provide arguments for assessing them, at least in part, using different measures.

States and the Waivers

The Obama Administration said that its waiver initiative is in response to its initiative to have federal agencies work with state, local, and tribal grantees of federal funds to identify barriers to efficiently using tax dollars to achieve the best results for their constituents. Organizations representing states have traditionally requested that TANF work participation standards be modified to allow for greater flexibility in what counts as work.⁵⁰ Thus, some states might have the same goals in mind as does the Obama Administration in terms of what they wish to achieve through the waiver initiative.

⁴⁷ See U.S. General Accounting Office, *Multiple Employment and Training Programs. Providing Information on Collocating Services and Consolidating Administrative Structures Could Promote Efficiencies*, GAO-11-92, 1992.

⁴⁸ Most recently, the House passed H.R. 803 (the "SKILLS Act") on March 15, 2013. The bill would allow states to consolidate TANF employment and training funds with WIA and workforce dollars from other specified programs in the Workforce Investment Fund. H.R. 803 would not, however, lift the responsibility of states to meet TANF requirements, such as the work participation standard.

⁴⁹ See CRS Report R41135, *The Workforce Investment Act and the One-Stop Delivery System*, by David H. Bradley.

⁵⁰ For example, see National Association of State TANF Administrators and the American Public Human Services Association, *Temporary Assistance for Needy Families. Recommendations for Reauthorization*, December 2010. These organizations recommended changes to the TANF work participation standards, including expanding countable work hours to include activities such as vocational educational training for up to 24 months; job search/job readiness training for longer periods of time; and ESL as Job Readiness training. Additionally, the National Governors Association, in its February 2012 policy statement on TANF, offered policy principles that included eliminating "unnecessary, costly and process-oriented federal regulations" and working "with states to develop performance outcomes that more fully measure the impacts of TANF for families in need. See statement at <http://www.nga.org/cms/home/federal-relations/nga-policy-positions/page-hhs-policies/col2-content/main-content-list/temporary-assistance-to-needy-fa.html>.

A waiver could be particularly valuable for a state that is at-risk of failing the work participation standard. As shown on **Table A-3**, TANF work participation rates have historically varied considerably, ranging in the 50 states and District of Columbia from 9.5% in Oregon to 67.5% in Mississippi in FY2009. The waiver would provide the opportunity for low-participation-rate states to reconsider their programs. Additionally, since the waiver would require that a state substitute an alternative performance measure for the work participation rate, it would give a low-participation-rate state the opportunity to demonstrate that its program performs well on measures other than the TANF work participation rate.

A waiver would be less valuable for a state with a high participation rate with little risk of failing the work standard. The waiver does impose additional costs on states, in terms of tracking alternative performance measures and evaluation of the initiative.

Even absent the work participation rate, TANF gives states the incentive to operate programs to minimize their assistance rolls. The fixed nature of the block grant provides that incentive. States that are successful in minimizing their assistance rolls – and one way of doing that is moving families as quickly as possible from welfare to work – have the ability to reduce their expenditures on cash assistance and reallocate those funds to other purposes.

Broader Considerations

In assessing whether TANF welfare-to-work policies should be changed—by allowing waivers of participation standards or otherwise—policymakers might look to the record of how the cash assistance rolls have responded, and how families with children have fared, since the changes in low-income assistance programs were made in the 1990s. However, TANF is only a part of that story. The 1996 welfare law was one of a series of changes made to low-income assistance programs in the mid-1990s. A number of changes were made to “make work pay,” through expansions of the Earned Income Tax Credit (EITC) in 1986, 1990, and 1993. Child care funding, to offset one of the main costs of going to work for parents, was increased in 1988, 1990, and in the 1996 welfare law. Expansions of health care coverage through Medicaid and, in 1997, the creation of the State Children’s Health Insurance Program (CHIP) lessened the possibility that children would lose health care coverage when a mother moved from the welfare rolls (that guaranteed Medicaid coverage) to work.

The cash assistance rolls for needy families with children reached its historical peak in March 1994 at 5.1 million families. The welfare rolls began to decline thereafter, and declined especially rapidly following the enactment of the 1996 welfare reform law. By 2001, the cash assistance rolls had declined to 2.1 million families. The number of families receiving cash assistance who were headed by an unemployed recipient adult declined by 74%, from a monthly average of 3.8 million families in FY1994 to 992,000 in FY2001.

Additionally, child poverty declined in the late 1990s. The overall child poverty rate declined from 21.8% in 1994 to 16.2% in 2000. The poverty rate for children living in female-headed families declined from 52.9% in 1994 to 40.1% in 2000.⁵¹

However, even in 2000, children remained the age group most likely to be poor (more likely than the aged or nonaged adults), and 2 in 5 children living in female-headed families were poor. Then in the 2000s, the rate of decline in the cash assistance rolls slowed, and the declines in child poverty were reversed. This occurred even before the 2007-2009 recession. The cash assistance rolls that stood at 2.2 million families in FY2001, declined to 1.7 million in FY2008, before

⁵¹ The poverty rate for children living in female-headed families further declined to 39.3% in 2001, before beginning to increase.

rising to 1.9 million in FY2010 in response to the recession. The child poverty rate increased to 18.0%, a rise of 1.8 percentage points (and 1.6 million children) even before the onset of the recession. Poverty among children living in female-headed families rose to 43.0% in 2007. Poverty rates spiked higher during the recession, reaching 22.0% for all children in 2009 (peak level during the recession) and 47.7% for children in single-parent families in 2010.

As discussed, policymakers might consider this broader context for considering whether welfare-to-work policies should be changed, and whether waivers of current TANF work participation standards are a means for making those changes.

Conclusion

The TANF work participation standards are one of the central features of the welfare reforms that culminated in the mid-1990s. Since the 1996 law, states have historically sought additional flexibility in terms of the activities that count toward the standards. Some in Congress have seen proposals to grant that flexibility as weakening the work requirements that result from the standards, or at least weakening the tie to work activities as opposed to educational activities. In that regard, the current debate over the Obama Administration's waiver initiative can be seen as a continuation of a long-running debate on the degree that participation standards should emphasize work as compared with education and training.

The waiver initiative's emphasis on measuring outcomes raises both philosophical and technical questions. The emphasis on work in welfare programs grew in part out of an argument that if society had an obligation to help low-income persons, recipients also had obligations and a basic societal obligation to work or to prepare for work. A focus that is solely on outcomes—whether a welfare-to-work strategy succeeds in moving families off the rolls and into jobs—removes some of the focus on engaging recipients in activities to meet their obligations.

However, the performance of TANF work programs has also been criticized on other grounds. The official TANF work participation rate has hovered around 30%—well below the statutory target of 50%, as “credits” have permitted states to meet the standards with lower levels of engagement. Participation in activities that represent supported work—subsidized employment and on-the-job training—has been relatively low for those on the assistance rolls. Participation in activities that closely resemble work—work experience and community service—has likewise been relatively low. Despite the fact that states can count vocational educational training for only one year in a lifetime of a recipient, it is the third most common activity behind working in a regular unsubsidized job while on the rolls and job search and readiness.

It could be argued that the old dichotomy between “work-first” and education-focused strategies is outdated, given new types of programs such as career pathways that combine work-focused education and training with work. These programs are available to low-income persons generally, but have yet to be tested and evaluated in a welfare-to-work setting.

The waiver initiative presents an opportunity to re-examine welfare-to-work. Congress has a number of options. It can choose not to act, allowing the waiver initiative to move forward. It can bar the waiver initiative and retain the current rules. It can re-open the debates over welfare-to-work and craft new TANF work performance standards.

Congress can also craft its own program of welfare-to-work experimentation. That is, it can address any legal, procedural, and substantive objections to the Obama Administration's waiver initiative through legislation that would allow for new welfare-to-work experiments with congressionally prescribed goals and within congressionally prescribed boundaries.

Appendix.

Table A-1. Countable TANF Work Activities and Their Definitions

Activity	Definition
Unsubsidized employment	Full- or part-time employment in the public or private sector that is not subsidized by TANF or any other public program.
Subsidized private sector employment	Employment in the private sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing an individual.
Subsidized public sector employment	Employment in the public sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing an individual.
Job search and readiness <i>Participation in this activity may be counted for six weeks (12 weeks in certain circumstances) in a fiscal year.</i>	The act of seeking or obtaining employment, or preparation to seek or obtain employment, including life-skills training and substance abuse treatment, mental health treatment, or rehabilitation activities. Such treatment or therapy must be determined to be necessary and documented by a qualified medical, substance abuse, or mental health professional.
Community service	Structured programs and embedded activities in which TANF recipients perform work for the direct benefit of the community under the auspices of public or nonprofit organizations. Community service programs must be limited to projects that serve a useful community purpose in fields such as health, social service, environmental protection, education, urban and rural redevelopment, welfare, recreation, public facilities, public safety, and child care. A state agency shall take into account, to the extent possible, the prior training, experience, and skills of an individual in making appropriate community service assignments.
Work experience	A work activity, performed in return for welfare, that provides an individual with an opportunity to acquire the general skills, knowledge, and work habits necessary to obtain employment. The purpose of work experience is to improve the employability of an individual who cannot find unsubsidized full-time employment.
On-the-job training	Training in the public or private sector that is given to a paid employee while he or she is engaged in productive work and that provides knowledge and skills essential to the full and adequate performance of the job.
Vocational educational training <i>Participation in this activity is limited to 12 months in a lifetime.</i>	Organized educational programs that are directly related to the preparation of individuals for employment in current or emerging occupations.
Caring for a child of a recipient in community service	Providing child care to enable another cash welfare recipient to participate in a community services program. This is an unpaid activity and must be a structured program to improve the employability of participating individuals.
Job skills training directly related to employment	Training or education for job skills required by an employer to provide an individual with the ability to obtain employment or to advance or adapt to the changing demands of the workplace.
Education directly related to employment (for those without a high school or equivalent degree)	Education related to a specific occupation, job, or job offer.

Activity	Definition
Completion of a secondary school program (for those without a high school or equivalent degree)	In the case of a recipient who has not completed secondary school or received such a certificate, this means regular attendance, in accordance with the requirements of a secondary school or course of study, at a secondary school or in a course of study leading to a certificate of general equivalence.

Source: Table prepared by CRS based on HHS regulations. See *Federal Register*, vol. 73, no. 24, February 5, 2008, pp. 6772-6828.

**Table A-2. Effective TANF All-Family Work Participation Standards by State:
FY2002-FY2009**

(effective standards: 50% minus caseload reduction and excess MOE credits)

State	2002	2003	2004	2005	2006	2007	2008	2009
Alabama	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Alaska	8.7	11.1	6.9	4.8	6.8	32.5	25.8	21.4
Arizona	4.8	13.1	19.6	24.0	11.6	7.3	0.0	0.0
Arkansas	0.0	3.3	4.3	3.9	2.7	0.0	0.0	0.0
California	6.7	5.8	3.9	4.5	5.1	32.3	29.0	29.0
Colorado	0.0	0.0	0.0	0.0	0.0	15.1	0.0	0.0
Connecticut	21.0	20.3	20.2	23.4	23.4	12.7	0.0	0.0
Delaware	6.7	10.2	12.5	17.6	18.2	26.1	0.0	0.0
District of Columbia	11.2	11.5	13.3	15.3	14.4	32.5	31.9	31.9
Florida	0.0	0.0	0.0	0.0	0.0	2.4	0.0	0.0
Georgia	0.0	0.0	4.3	5.9	0.0	26.0	13.8	12.3
Hawaii	26.6	20.0	16.4	12.1	0.0	20.8	0.0	0.0
Idaho	15.9	20.0	34.5	27.9	28.5	43.1	38.1	30.6
Illinois	0.0	0.0	0.0	0.0	0.0	44.7	0.0	0.0
Indiana	15.4	28.9	35.4	33.4	27.1	46.5	11.3	11.3
Iowa	6.4	7.3	8.8	11.0	17.3	25.7	24.0	24.0
Kansas	38.4	41.7	37.6	38.8	38.8	11.5	0.0	0.0
Kentucky	2.9	4.5	6.2	10.1	11.9	41.7	36.6	31.9
Louisiana	0.0	0.0	0.0	0.0	0.0	24.0	17.4	15.2
Maine	1.9	2.5	0.0	1.1	2.9	31.4	47.5	47.5
Maryland	6.2	6.5	6.6	6.5	5.2	34.1	31.7	31.7
Massachusetts	0.8	4.9	6.3	8.4	8.5	14.3	0.0	0.0
Michigan	0.0	0.0	0.0	0.0	0.0	30.5	50.0	27.8
Minnesota	12.9	14.8	18.6	18.8	14.9	44.6	0.0	0.0
Mississippi	12.5	12.6	17.1	5.4	4.1	33.5	22.2	20.2
Missouri	5.7	5.0	3.7	4.5	2.8	7.4	14.9	14.9
Montana	0.0	2.0	10.8	13.2	16.3	26.1	26.0	25.8

State	2002	2003	2004	2005	2006	2007	2008	2009
Nebraska	17.6	24.2	28.7	28.6	31.1	23.0	0.0	0.0
Nevada	4.1	26.2	31.8	10.3	10.7	38.6	34.5	31.2
New Hampshire	2.4	6.1	7.8	7.4	8.4	9.5	0.0	0.0
New Jersey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Mexico	8.3	8.4	8.2	12.0	13.2	46.2	15.2	15.2
New York	0.0	0.0	0.0	0.0	0.0	13.8	11.5	11.5
North Carolina	0.0	0.0	0.0	0.0	0.0	22.1	0.0	0.0
North Dakota	7.5	12.0	14.7	8.8	4.8	44.0	23.1	20.8
Ohio	0.0	0.0	9.7	15.7	19.1	46.2	42.0	42.0
Oklahoma	2.9	0.0	0.0	0.0	0.0	34.6	28.8	20.6
Oregon	0.0	0.0	0.0	0.0	0.3	45.1	45.4	45.4
Pennsylvania	0.0	0.0	0.0	0.0	0.0	42.0	19.7	15.8
Puerto Rico	0.0	3.1	0.0	0.0	0.0	44.6	40.3	23.5
Rhode Island	22.9	19.2	15.4	13.1	10.7	8.0	0.0	0.0
South Carolina	0.7	2.4	3.0	3.0	3.3	29.0	0.0	0.0
South Dakota	9.3	12.4	11.7	10.9	13.7	50.0	50.0	50.0
Tennessee	7.8	11.6	11.6	19.6	19.1	35.5	0.0	0.0
Texas	0.0	0.0	0.9	0.0	0.0	31.2	19.9	10.8
Utah	11.7	17.0	24.6	17.8	27.3	32.6	10.1	5.4
Vermont	8.8	7.1	5.7	5.5	2.4	23.0	11.1	11.1
Virginia	0.0	0.0	0.0	0.1	0.8	36.0	38.5	37.8
Washington	7.0	8.2	8.8	6.9	10.7	11.1	0.0	0.0
West Virginia	0.0	0.0	0.0	0.0	0.0	39.2	26.3	17.4
Wisconsin	0.0	0.0	0.4	1.3	0.0	30.9	0.0	0.0
Wyoming	0.0	0.0	0.0	0.0	0.0	47.3	35.3	34.2
Guam	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Virgin Islands	6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of States with Effective All Family Standards (50% minus credits) Equal to:								
Zero	21	20	18	17	19	4	22	22
0.1%-9.9%	21	15	17	16	14	5	0	1
10%-24.9%	9	15	13	16	15	11	13	16
25%-49.9%	2	3	5	4	5	32	16	13
50%	1	1	1	1	1	2	3	2

Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

**Table A-3. TANF Work Participation Rates by State: Official Rates
(Including Grandfathered Waivers): FY2002-FY2009**

	2002	2003	2004	2005	2006	2007	2008	2009
Alabama	37.3%	37.1%	37.9%	38.6%	41.6%	34.0%	37.4%	32.4%
Alaska	39.6	41.1	43.6	45.7	45.6	46.8	42.8	37.2
Arizona	25.9	13.4	25.5	30.3	29.6	30.0	27.8	27.1
Arkansas	21.4	22.4	27.3	28.3	27.9	35.3	38.8	37.1
California	27.3	24.0	23.1	25.9	22.2	22.3	25.1	26.8
Colorado	35.9	32.5	34.7	25.8	30.0	27.3	32.3	37.8
Connecticut	26.6	30.6	24.3	33.8	30.8	28.8	25.3	34.4
Delaware	25.8	18.2	22.1	22.6	25.3	32.7	48.8	37.5
District of Columbia	16.4	23.1	18.2	23.5	17.1	35.0	49.6	23.5
Florida	30.4	33.1	40.4	38.0	41.0	64.2	42.4	46.1
Georgia	8.2	10.9	24.8	57.2	64.9	54.2	59.0	57.1
Hawaii	58.8	65.8	70.5	35.5	37.3	28.7	34.4	40.3
Idaho	40.7	43.7	41.0	39.9	44.2	53.0	59.5	52.0
Illinois	58.4	57.8	46.1	43.0	53.0	55.5	42.6	49.3
Indiana	62.6	40.3	36.3	30.9	26.7	27.5	29.4	17.5
Iowa	51.2	45.1	50.0	47.8	39.0	40.2	41.1	35.4
Kansas	84.8	87.9	88.0	86.7	77.2	12.8	19.6	23.9
Kentucky	32.4	32.8	38.1	39.7	44.6	38.2	38.0	37.3
Louisiana	38.7	34.6	35.4	34.6	38.4	42.2	40.0	34.4
Maine	44.5	27.7	32.1	28.3	26.6	21.9	11.4	16.8
Maryland	8.3	9.1	16.0	20.5	44.5	46.7	36.9	44.0
Massachusetts	60.9	61.0	60.0	59.9	13.6	17.0	44.7	47.5
Michigan	28.9	25.3	24.5	22.0	21.6	28.0	33.6	27.9
Minnesota	40.4	25.0	26.8	28.9	30.3	28.1	29.9	29.8
Mississippi	18.5	17.2	21.0	22.6	35.5	61.9	63.2	67.5
Missouri	25.4	28.0	19.5	20.0	18.7	14.0	14.2	13.2
Montana	84.2	85.9	92.7	83.1	79.2	46.4	44.2	44.2
Nebraska	28.1	33.4	34.5	31.8	32.0	23.0	51.2	50.3
Nevada	21.6	22.3	34.5	42.3	47.8	34.0	42.1	39.4
New Hampshire	41.8	28.2	30.2	24.6	24.1	42.0	47.4	46.5
New Jersey	36.4	35.0	34.6	29.0	29.2	33.0	18.9	20.1
New Mexico	42.7	42.0	46.2	41.6	42.3	36.4	37.5	43.1
New York	38.5	37.1	37.8	35.2	37.8	38.0	37.3	33.4

	2002	2003	2004	2005	2006	2007	2008	2009
North Carolina	27.4	25.3	31.4	27.5	32.4	32.4	24.5	32.3
North Dakota	30.4	27.0	25.3	31.4	51.9	58.7	50.2	61.0
Ohio	56.3	62.3	65.2	58.3	54.9	23.7	24.5	23.3
Oklahoma	26.7	29.2	33.2	34.0	32.9	38.1	29.2	23.0
Oregon	61.1	60.0	32.1	14.9	15.2	14.7	24.1	9.5
Pennsylvania	10.4	9.9	7.1	15.2	26.1	48.9	38.6	45.8
Puerto Rico	5.6	6.1	7.5	13.1	13.1	8.2	11.6	8.7
Rhode Island	24.6	24.3	23.7	24.2	24.9	26.8	17.5	13.8
South Carolina	52.4	54.3	53.7	54.3	49.5	53.3	51.7	45.1
South Dakota	42.5	46.1	54.8	57.5	57.9	53.5	62.2	59.4
Tennessee	41.2	42.7	50.6	52.1	57.2	45.9	25.2	25.5
Texas	30.8	28.1	34.2	38.9	42.0	34.6	29.3	37.0
Utah	27.9	28.1	26.2	30.3	42.5	49.8	37.6	32.6
Vermont	21.4	24.3	24.9	22.4	22.2	22.4	23.2	29.0
Virginia	42.9	44.6	50.1	46.3	53.9	43.5	45.4	44.3
Washington	49.8	46.2	35.4	38.6	36.1	25.4	18.3	23.0
West Virginia	19.2	14.2	11.7	16.3	26.2	15.4	17.6	19.6
Wisconsin	69.4	67.2	61.3	44.3	36.2	36.7	37.1	39.9
Wyoming	82.9	83.0	77.8	82.1	77.2	65.4	50.5	61.3
Guam	0.0	0.0	0.0	0.0	0.0	2.5	0.0	0.0
Virgin Islands	17.7	5.0	10.6	16.9	14.5	17.1	15.5	7.1
Number of States with Participation Rates Equal to:								
0% - 9.9%	4	5	3	1	1	2	1	4
10%-24.9%	9	11	13	14	11	11	13	11
25%-49.9%	29	28	26	30	32	32	32	32
50% or more	12	10	12	9	10	9	8	7

Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

Table A-4. TANF Work Participation Rates Excluding the Effect of “Grandfathered Waivers” by State: FY2002-FY2009

	2002	2003	2004	2005	2006	2007	2008	2009
Alabama	37.3%	37.1%	37.9%	38.6%	41.6%	34.0%	37.4%	32.4%
Alaska	39.6	41.1	43.6	45.7	45.6	46.8	42.8	37.2
Arizona	25.9	13.4	25.5	30.3	29.6	30.0	27.8	27.1
Arkansas	21.4	22.4	27.3	28.3	27.9	35.3	38.8	37.1

	2002	2003	2004	2005	2006	2007	2008	2009
California	27.3	24.0	23.1	25.9	22.2	22.3	25.1	26.8
Colorado	35.9	32.5	34.7	25.8	30.0	27.3	32.3	37.8
Connecticut	26.6	30.6	24.3	33.8	30.8	28.8	25.3	34.4
Delaware	11.7	18.2	22.1	22.6	25.3	32.7	48.8	37.5
District of Columbia	16.4	23.1	18.2	23.5	17.1	35.0	49.6	23.5
Florida	30.4	33.1	40.4	38.0	41.0	64.2	42.4	46.1
Georgia	8.2	10.9	24.8	57.2	64.9	54.2	59.0	57.1
Hawaii	32.5	34.6	40.3	35.5	37.3	28.7	34.4	40.3
Idaho	40.7	43.7	41.0	39.9	44.2	53.0	59.5	52.0
Illinois	58.4	57.8	46.1	43.0	53.0	55.5	42.6	49.3
Indiana	45.3	40.3	36.3	30.9	26.7	27.5	29.4	17.5
Iowa	51.2	45.1	50.0	47.8	39.0	40.2	41.1	35.4
Kansas	37.6	32.4	88.0	86.7	77.2	12.8	19.6	23.9
Kentucky	32.4	32.8	38.1	39.7	44.6	38.2	38.0	37.3
Louisiana	38.7	34.6	35.4	34.6	38.4	42.2	40.0	34.4
Maine	44.5	27.7	32.1	28.3	26.6	21.9	11.4	16.8
Maryland	8.3	9.1	16.0	20.5	44.5	46.7	36.9	44.0
Massachusetts	9.2	8.4	10.3	12.6	13.6	17.0	44.7	47.5
Michigan	28.9	25.3	24.5	22.0	21.6	28.0	33.6	27.9
Minnesota	31.2	25.0	26.8	28.9	30.3	28.1	29.9	29.8
Mississippi	18.5	17.2	21.0	22.6	35.5	61.9	63.2	67.5
Missouri	25.4	28.0	19.5	20.0	18.7	14.0	14.2	13.2
Montana	37.9	37.4	86.7	83.1	79.2	46.4	44.2	44.2
Nebraska	22.8	29.4	34.5	31.8	32.0	23.0	51.2	50.3
Nevada	21.6	22.3	34.5	42.3	47.8	34.0	42.1	39.4
New Hampshire	32.6	28.2	30.2	24.6	24.1	42.0	47.4	46.5
New Jersey	36.4	35.0	34.6	29.0	29.2	33.0	18.9	20.1
New Mexico	42.7	42.0	46.2	41.6	42.3	36.4	37.5	43.1
New York	38.5	37.1	37.8	35.2	37.8	38.0	37.3	33.4
North Carolina	27.4	25.3	31.4	27.5	32.4	32.4	24.5	32.3
North Dakota	30.4	27.0	25.3	31.4	51.9	58.7	50.2	61.0
Ohio	56.1	62.2	65.2	58.3	54.9	23.7	24.5	23.3
Oklahoma	26.7	29.2	33.2	34.0	32.9	38.1	29.2	23.0
Oregon	8.0	14.7	32.1	14.9	15.2	14.7	24.1	9.5
Pennsylvania	10.4	9.9	7.1	15.2	26.1	48.9	38.6	45.8

	2002	2003	2004	2005	2006	2007	2008	2009
Puerto Rico	5.6	6.1	7.5	13.1	13.1	8.2	11.6	8.7
Rhode Island	24.6	24.3	23.7	24.2	24.9	26.8	17.5	13.8
South Carolina	30.2	28.6	53.7	54.3	49.5	53.3	51.7	45.1
South Dakota	42.5	46.1	54.8	57.5	57.9	53.5	62.2	59.4
Tennessee	14.3	13.4	13.0	14.3	16.8	45.9	25.2	25.5
Texas	21.1	28.1	34.2	38.9	42.0	34.6	29.3	37.0
Utah	27.9	28.1	26.2	30.3	42.5	49.8	37.6	32.6
Vermont	21.4	24.3	24.9	22.4	22.2	22.4	23.2	29.0
Virginia	22.6	29.9	50.1	46.3	53.9	43.5	45.4	44.3
Washington	49.8	46.2	35.4	38.6	36.1	25.4	18.3	23.0
West Virginia	19.2	14.2	11.7	16.3	26.2	15.4	17.6	19.6
Wisconsin	69.4	67.2	61.3	44.3	36.2	36.7	37.1	39.9
Wyoming	82.9	83.0	77.8	82.1	77.2	65.4	50.5	61.3
Guam	0.0	0.0	0.0	0.0	0.0	2.5	0.0	0.0
Virgin Islands	17.7	5.0	10.6	16.9	14.5	17.1	15.5	7.1
Number of States with Participation Rates Equal to:								
0% - 9.9%	6	6	3	1	1	2	1	4
10%-24.9%	14	13	15	16	12	11	13	11
25%-49.9%	29	31	27	30	32	32	32	32
50% or more	5	4	9	7	9	9	8	7

Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

Table A-5. Grandfathered Pre-1996 Welfare Waivers Under TANF

State	Waiver Expiration Date	Exemptions	Activities/Hours	Other
Arizona	9/30/02	No additional exemptions.	No waiver provision.	Sanctions are for failure (rather than refusal) to participate in required activities.
Connecticut	9/30/01	Exempts individuals who are incapacitated, of advanced age, needed in the home to care for an incapacitated household member, certain pregnant or postpartum women, and an individual otherwise deemed unemployable.	Allows any of the 12 federally approved activities (without priority/secondary distinction) to count toward the work participation rate. Hours required depends on the activity and the individual. Maximum number of required hours per week is 35 (even for two-parent cases). No time limit on job search and job readiness (can count as long as the recipient is satisfactorily participating).	Any two-parent family that contains a parent exempt under the waiver will not be counted as a two-parent case for work participation purposes (not just in cases of disability, as in current law).
Delaware	9/30/02	Exempts a parent of a child under 13 weeks or if an adult is medically unable to participate. Individuals employed at least 30 hours per week are considered exempt.	If medically able to participate, adults may be required to participate part-time in parenting activities or other nonemployment related activities regardless of the age of the youngest child. Allows unlimited job search. After two years of assistance, adult must participate in work experience for up to the number of hours equal to the cash welfare grant divided by the minimum wage. In addition, up to 10 additional hours of job search may be required.	
Hawaii	9/30/04	Exempts individuals who are ill or incapacitated for at least 30 days; providing in-home care for an ill or incapacitated assistance unit member; caring for an infant under six months; over age 60; or a VISTA volunteer.	Job search, education, and vocational education are not time-limited. Recipients who are not job ready are assigned to remediation to remove barriers. Recipients awaiting assignment to education or training activities may be assigned to up to 18 hours per week in temporary employment placements developed by employment specialists.	

State	Waiver Expiration Date	Exemptions	Activities/Hours	Other
Indiana	3/31/02	No waiver provision.	No minimum work hours. Individual is considered engaged in work if meeting the hours and activities in their individualized self-sufficiency plans. Allows education and training to count more than allowable under federal law.	
Kansas	9/30/03	No waiver provision.	Job search is not time-limited. Parents with a child under age six may be required to work more than 20 hours per week.	
Massachusetts	9/30/05	Exempts individuals who are single parents caring for a child under full-time school age (under three months if child is subject to family cap); disabled; needed in the home to care for a disabled family member; a pregnant woman beginning in her sixth month of pregnancy; ineligible persons unless they can legally work for pay; or aged 60 or over.	Requires 20 hours of work for each nonexempt adult (including each parent in a two-parent family). All work-related activities allowable under pre-1996 program count. No limits on number of hours in activities, and no time limit on job search.	
Minnesota	9/30/02	Exempts individuals who are age 60 or older; pregnant; providing care for a child under age one; experiencing a personal or family crisis; exempt under a domestic violence service plan; seriously ill, injured, or disabled; or needed in the home to care for another member of the household who is ill or disabled.	Any activity in individualized case plan counts (no preset list of activities; may include barrier removal or education). No limit on vocational education participation or on time in vocational education. Job search counts longer than allowed by federal law. Uses TANF hours rules.	If one parent in a two-parent case is exempt, the family will only be included when calculating the all-family work participation rate.
Missouri	6/30/00	No waiver provision.	Allows more educational activities: post-secondary education; General Educational Development Diploma (GED) testing; junior high school; high school; English as a Second Language (ESL); and Adult Basic Education (ABE), High School Equivalency, and/or Remedial Education. Uses TANF hours rules for single-parent cases. All two-parent families must participate 55 hours per week. Individuals	

State	Waiver Expiration Date	Exemptions	Activities/Hours	Other
Montana	12/31/03	No exemptions from work participation.	in two-parent families may not count participation in post-secondary education, GED testing, high school, ESL, or ABE toward the first 30 hours. All Demonstration pre-1996 welfare law activity hours count in participation totals. No time limit on job search. No limit on number of participants or time in educational activities (all hours count).	
Nebraska	6/30/03	Exempts caretaker relatives with a child under 12 weeks old.	No time limit on counting job search. All caretaker relative recipients are required to participate in some activity (education, job skills training, work experience, intensive job search, or employment activities). When a parent has a child between 12 weeks and six months old, only part-time participation in activities such as family nurturing is required. Family nurturing is counted as a JOBS activity. (However, participation in family nurturing will not count toward the calculation of the TANF participation rate.)	
New Hampshire	3/31/02	Retains all exemptions in effect 9/30/96. Also exempts parents when a child who would otherwise be subject to the family cap is born as a result of rape or incest (for children subject to family cap, 13 weeks); parents providing care for a child under age five (reduced to age three on 7/1/98); and individuals who have significant employment-related barriers (as defined in state policy manuals, individuals determined permanently incapable of self-sufficiency).	Allows unlimited job search. Requires 20 hours of work per week (in unsubsidized employment, subsidized job, On-the-Job Training (OJT), community service, work experience, work supplementation, or other approved work activity) for 26 weeks after 26 weeks of job search. Work activities may include post-secondary education, self-initiated education and training, and barrier resolution. Parents with children under age six may be required to participate more than 20 hours per week. Imposes time limits on education activities (time limit to be	

State	Waiver Expiration Date	Exemptions	Activities/Hours	Other
			related to the average time it takes to complete a particular activity and to participant characteristics); after time limit, activity must be combined with work. Individuals without a high school diploma under age 21 required to participate in education. Noncustodial parents may be required to participate for up to 40 hours per week.	
Ohio	6/30/03	No waiver provision.	Recipients over age 21 without a high school diploma must be in education activities in order to remain eligible for benefits. Generally, recipients assigned to education activities have two years to complete high school, adult education, or GED, or they become ineligible for benefits.	Requires up-front job search while application is being processed.
Oregon	6/30/03	Oregon does not apply exemptions from work program participation. The following groups are exempt from sanction for failure to participate, but are counted in the numerator for Oregon's work participation calculation: VISTA volunteers; clients with unreasonable travel distance; clients in months seven and eight of pregnancy must only participate 10 hours per week; clients in their last month of pregnancy are deferred from participation through the first three months after birth; pregnant teens must participate in education or employment just like nonpregnant teens.	Case managers determine participation activities and hours for all recipients based on individual circumstances (may include ESL, substance abuse/mental health treatment).	
South Carolina	9/30/03	Exempts a pregnant adult from seventh month of pregnancy until birth; single-parent caring for a child under age one, unless the parent is under 25 and has not completed secondary school; incapacitated adults; an adult needed to care for	Job club/job search may last for up to 60 days; allows any educational activity below the post-secondary level that the state determines to be appropriate to the employment goal; participation in Family Life Skills can count. State does	

State	Waiver Expiration Date	Exemptions	Activities/Hours	Other
		an incapacitated individual; or an individual unable to participate because child care and/or reasonable transportation cannot be provided.	not apply TANF core activity requirements or restrictions on counting education.	
Tennessee	6/30/07	Exempts individuals who are disabled; caring for a disabled person; aged 60 or older; full-time VISTA volunteer; parent unable to obtain child care or transportation; parent with infant under 16 weeks of age; or determined to be severely limited due to physical, mental, or learning disability.	No time limit on countable job search. Counts self-employment and life skills training. Persons testing at grade levels 8.9 or below on a literacy test count by participation in adult basic education for at least 20 hours per week. Uses federal hours requirement.	
Texas	3/31/02	Exempts caretakers with children under the age of five, as of 9/1/96; under the age of four, as of 9/1/97; under the age of three, as of 1/1/00; under the age of two, as of 9/1/00; and under the age of one, as of 9/1/01.	Broader definition of work, including post-secondary education, no minimum hours in "core" activities; does not time limit job search.	
Utah	12/31/00	Requires participation of all AFDC parents and eligible children age 16 or older (if not in school)	Broader definition of work may include life skills components such as mental health treatment or addressing transportation issues; individual job search usually limited to 30 days; educational activities including ESL (not subject to the Family Employment Plan general 24-month educational limit); or post-secondary education. No minimum hours of participation; required hours are determined individually.	
Vermont	6/30/01	Requires pregnant and parenting minors to participate in education or training activities or parenting classes, even if they are in school full-time, working 30 hours per week, or needed in the home to care for an ill or incapacitated family member. Exempts needy nonparent caretakers.	No time limit on job search. Requires participation in community service jobs if unsubsidized employment is not found after 15 months for two-parent cases (40 hours per week) or after 30 months (20 hours per week or grant divided by minimum wage, whichever is less) for one-worker families with a child under age 13. If a family is working in unsubsidized employment, they can meet	Nonexempt parents will be required to participate in job search in the two months before they are required to participate in the community jobs component.

State	Waiver Expiration Date	Exemptions	Activities/Hours	Other
Virginia	6/30/03	The following caretakers are exempt: minor caretakers under age 16; teen parents 16-19 who are in school or vocational or technical training full-time; individuals with a temporary medical condition, aged 60 or older, or needed in the home to care for an incapacitated family member; incapacitated individuals; parent caring for a child under 18 months of age; caretakers who are not the parents of the child; a woman in her fourth-ninth months of pregnancy.	the work requirement with 75% of the hours required for community service. Parents with temporary disabilities who are deferred from participation in work activities must participate in rehabilitation and training programs. Requires a pregnant woman in second or third trimester of pregnancy to participate unless determined medically unable. Requires two-parent participants working more than 30 hours per week to participate in JOBS.	Job search is required without time limits. Usually for 90 days, then assigned to work activity (subsidized employment or community service). Participants between 19 and 24 may be immediately assigned to work experience or education. Recipients who do not find unsubsidized employment may be required to participate in six-month subsidized employment placements.

Source: Congressional Research Service (CRS,) based on information from the U.S. Department of Health and Human Services and TANF state plans.

Table A-6. TANF National Average Work Participation Rates: With and Without Grandfathered Pre-1996 Waivers: FY2000-FY2009

Year	With Waivers	Without Waivers	Difference
2000	34.0%	29.7%	4.3
2001	34.4%	29.9%	4.5
2002	33.4%	28.9%	4.5
2003	31.3%	27.5%	3.8
2004	32.2%	29.4%	2.8
2005	33.0%	30.3%	2.7
2006	32.5%	30.6%	1.9
2007		29.7%	

Year	With Waivers	Without Waivers	Difference
2008		29.4%	
2009		29.4%	

Source: Congressional Research Service (CRS), with data from the U.S. Department of Health and Human Services (HHS).

Table A-7. Effect of Waivers on TANF Work Participation Rates: for States with Grandfathered Waivers: FY2000-FY2003

	2000			2001			2002			2003		
	With Waivers	Without Waivers	Difference	With Waivers	Without Waivers	Difference	With Waivers	Without Waivers	Difference	With Waivers	Without Waivers	Difference
Arizona	39.7%	39.%	0.0	32.9%	32.9%	0.0	25.9%	25.9%	0.0	NA	13.4%	NA
CT	43.0	33.2	9.8	40.6	27.6	13.0	NA	26.6	NA	NA	30.6	NA
Delaware	27.6	16.8	10.8	24.6	11.8	12.8	25.8	11.7	14.1	NA	18.2	NA
Hawaii	29.7	24.5	5.2	35.0	27.9	7.1	58.8	32.5	26.3	65.8	34.6	31.2
Indiana	72.3	40.8	31.5	76.0	43.3	32.7	62.6	45.3	17.3	NA	40.3	NA
Kansas	77.4	49.0	28.4	80.7	45.0	35.7	84.8	37.6	47.2	87.9	32.4	55.5
MA	69.2	7.1	62.1	76.5	10.9	65.6	60.9	9.2	51.7	61.0	8.4	52.6
Minnesota	34.7	29.3	5.4	35.2	28.3	6.9	40.4	31.2	9.2	NA	25.0	NA
Missouri	34.0	30.4	3.6	NA	33.1	NA	NA	25.4	NA	NA	28.0	NA
Montana	68.2	36.2	32.0	44.4	26.9	17.5	84.2	37.9	46.3	85.9	37.4	48.5
Nebraska	22.6	15.8	6.8	18.1	13.9	4.2	28.1	22.8	5.3	33.4	29.4	4.0
NH	53.1	30.0	23.1	50.2	29.9	20.3	41.8	32.6	9.2	NA	28.2	NA
Ohio	52.9	52.8	0.1	53.2	53.0	0.2	56.3	56.1	0.2	62.3	62.2	0.1
Oregon	64.0	10.6	53.4	72.0	11.1	60.9	61.1	8.0	53.1	60	14.7	45.3
South Carolina	54.0	25.0	29.0	58.7	32.0	26.7	52.4	30.2	22.2	54.3	28.6	25.7
Tennessee	35.4	24.9	10.5	32.3	20.8	11.5	41.2	14.3	26.9	42.7	13.4	29.3
Texas	25.6	7.8	17.8	41.5	15.6	25.9	30.8	21.1	9.7	NA	28.1	NA
Utah	31.1	27.9	3.2	25.9	25.0	0.9	NA	27.9	NA	NA	28.1	NA

	2000			2001			2002			2003		
	With Waivers	Without Waivers	Difference	With Waivers	Without Waivers	Difference	With Waivers	Without Waivers	Difference	With Waivers	Without Waivers	Difference
Vermont	—	11.6	—	NA	12.9	NA	NA	21.4	NA	NA	24.3	NA
Virginia	44.9	24.6	20.3	44.3	22.7	21.6	42.9	22.6	20.3	44.6	29.9	14.7

Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

Notes: NA denotes “not applicable” because the grandfathered waiver expired. HHS did not compute a participation rate for Vermont in FY2000 based on its waiver.

Table A-8. Effect of Waivers on TANF Work Participation Rates: for States with Grandfathered Waivers: FY2004-FY2006

	2004			2005			2006		
	With Waivers	Without Waivers	Difference	With Waivers	Without Waivers	Difference	With Waivers	Without Waivers	Difference
Arizona	NA	25.5%	NA	NA	30.3%	NA	NA	29.6%	NA
Connecticut	NA	24.3	NA	NA	33.8	NA	NA	30.8	NA
Delaware	NA	22.1	NA	NA	22.6	NA	NA	25.3	NA
Hawaii	70.5	40.3	30.2	NA	35.5	NA	NA	37.3	NA
Indiana	NA	36.3	NA	NA	30.9	NA	NA	26.7	NA
Kansas	NA	88.0	NA	NA	86.7	NA	NA	77.2	NA
Massachusetts	60.0	10.3	49.7	59.9	12.6	47.3	NA	13.6	NA
Minnesota	NA	26.8	NA	NA	28.9	NA	NA	30.3	NA
Missouri	NA	19.5	NA	NA	20.0	NA	NA	18.7	NA
Montana	92.7	86.7	6.0	NA	83.1	NA	NA	79.2	NA
Nebraska	NA	34.5	NA	NA	31.8	NA	NA	32.0	NA
New Hampshire	NA	30.2	NA	NA	24.6	NA	NA	24.1	NA
Ohio	NA	65.2	NA	NA	58.3	NA	NA	54.9	NA
Oregon	NA	32.1	NA	NA	14.9	NA	NA	15.2	NA

	2004			2005			2006		
	With Waivers	Without Waivers	Difference	With Waivers	Without Waivers	Difference	With Waivers	Without Waivers	Difference
South Carolina	NA	53.7	NA	NA	54.3	NA	NA	49.5	NA
Tennessee	50.6	13.0	37.6	52.1	14.3	37.8	57.2	16.8	40.4
Texas	NA	34.2	NA	NA	38.9	NA	NA	42.0	NA
Utah	NA	26.2	NA	NA	30.3	NA	NA	42.5	NA
Vermont	NA	24.9	NA	NA	22.4	NA	NA	22.2	NA
Virginia	NA	50.1	NA	NA	46.3	NA	NA	53.9	NA

Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

Note: NA denotes not applicable because the waiver expired.

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